Trade Facts

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Free Trade With Southern Africa
Building on the Success of AGOA

A Bold Initiative to Expand Trade with Africa. On November 4, 2002, U.S. Trade Representative Robert B. Zoellick notified Congress of President Bush's decision to negotiate a free trade agreement (FTA) with the five member countries of the Southern African Customs Union (SACU). These nations—Botswana, Lesotho, Namibia, South Africa and Swaziland—comprise the largest U.S. export market in sub-Saharan Africa, with $2.5 billion in U.S. exports in 2002. SACU and the United States held a successful first round of FTA negotiations on June 2-5, 2003. They will hold additional rounds approximately every six to ten weeks (including in August, October and December 2003), and plan to conclude negotiations by December 2004.

> *"Ultimately, free trade is about freedom. This value is at the heart of our reform and development agenda."*
>
> *Ambassador Robert B. Zoellick*

Why SACU? Established in 1910, SACU is the world's oldest customs union and an important market for U.S. machinery, vehicles, aircraft, medical instruments, plastics, chemicals, cereals, pharmaceuticals, wood and paper products. Total two-way trade with the SACU nations was approximately $7.3 billion in 2002. These countries have laid a solid foundation for free trade by advancing regional integration efforts and instituting domestic economic reforms.

Building on the Success of AGOA. All five SACU countries are leading beneficiaries of U.S. trade preferences under the African Growth and Opportunity Act (AGOA). As a result of AGOA, the U.S. provides duty-free access to substantially all exports of sub-Saharan Africa; more than 92% of U.S. imports from AGOA eligible countries enter the U.S. duty-free. U.S. imports of AGOA covered products from SACU countries in 2002 were $1.7 billion. The SACU countries are the largest suppliers of non-fuel AGOA goods to the United States.

Key FTA Goals and Opportunities. By moving from one-way trade preferences to full partnership through a reciprocal free trade agreement, the U.S. and SACU can expand market access, further link trade to southern Africa's economic development strategies, encourage greater foreign investment, and promote regional economic integration and growth. Through an FTA, the United States and SACU countries will create an infrastructure for opportunity that builds on AGOA and establishes a comprehensive framework for 21stcentury commerce. The FTA will cover not only tariffs, but also establish new disciplines on trade related issues, including services, investment, government procurement, electronic commerce, labor and environment. It will help to level the playing field in areas where U.S. exporters are disadvantaged by the European Union's free trade agreement with South Africa, and to engage SACU countries as partners in multilateral market-opening initiatives through the World Trade Organization.

SACU and the U.S. Trade Strategy. The U.S. is using the momentum gained from the passage of Trade Promotion Authority to open major foreign markets through global, regional, and bilateral trade negotiations. President Bush has directed the Administration to negotiate trade-expanding agreements with developing countries, such as the SACU nations, to enhance the U.S. trade and investment relationship with them and to facilitate their integration into the global economy. Seeking out new growth opportunities, such as those in southern Africa, is an integral part of the Administration's global trade strategy. The FTA could be a model for future agreements between the United States and developing countries in Africa and elsewhere.